



**Reforming the EU: From reflection
to political action**

What is the Meseberg Agreement worth?

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Activity report**

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Reforming the EU: From reflection to political action

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13 September 2018

12:30 - 14:30

FEPS Offices, Rue Montoyer, 40 - 1000 Brussels

The Foundation for European Progressive Studies (FEPS) together with the Paris-based partner the Jean-Jaurès Foundation organised a lunch hour debate on the EU and Eurozone reform. The debate took place in the frame of Call to Europe, FEPS unique, interactive, signature initiative that enhances EU wide debates with its citizens. Call to Europe as a two-way dialogue between the institutions and the people looking at how we can move to constructive political action.

This particular debate centred on the following questions: To what extent does the agreement show a preference for community over intergovernmental solutions? Is it sufficient to make progress on the Banking Union's second pillar but not addressing the third? How to make the Euro area stable if risk-sharing is not seen as a method for risk-reduction? Does it make sense to work together for tax convergence and leave the common consolidated corporate tax base (CCCTB) out of the picture? Has the idea of a Minister for the Economy and Finance of the Euro area been abandoned? Would that be advisable to partly revise the Stability and Growth Pact?



In his opening remarks, **Ernst Stetter, Secretary General of the Foundation for European Progressive Studies** highlighted the timeliness of the discussion, being right after the President of the European Commission Jean-Claude Juncker's State of the Union speech. The Secretary General criticised the Meseberg Agreement, for not questioning the economic paradigm. Dr Stetter also underlined that the Commission's proposal presented in December 2017 includes some positive elements, such as the clear preference for the community over the intergovernmental approach,

but that it falls short from developing a social dimension of our monetary union. He also evoked flagship work carried out by FEPS that is forthcoming and will be available over the next few weeks, including a survey on 10 thousand millennials (18 to 35 years old – 1000 x 10 countries). Results are still preliminary but it appears that the majority of millennials want the EU to be directly involved in contributing to an unemployment benefit scheme for all Europeans and that over 80% reclaim more democratic control over Eurozone governance and economic policy within the EU.

The keynote speech was delivered by **Peter Bofinger**, Chair for Monetary Policy and International Economics, University Würzburg and member of the German Council of Economic Experts. In his initial statement, Professor Bofinger compared different policy proposals for reforming the EMU, particularly



those included in the the 7+7 Franco-German economists' proposal and those put forward in the Macron-Merkel Declaration of Meseberg. It was observed that the Meseberg Declaration does not include a compromise on a Stability and Growth Pact reform, on which German and French view largely differ. According to Professor Bofinger. This is perhaps good news as no reform is better than a bad reform. One of the most promising aspects of the Declaration, according to the German economist, was the commitment to make to the ESM the backstop of the

Single Resolution Fund and a tool to provide stabilisation with automatic triggers and no political conditionality. He noticed that the proposed fiscal capacity for the Eurozone is certainly minimal, but the fact that it is included in the political agenda and actually considered is to be seen as a win in the French-German compromise. In addition, he stressed that Mazzucato's approach of mission-oriented investment may serve as a good structure for joint well-targeted forward-looking investment within the Eurozone.

During the Roundtable debate, **Marco Buti**, Director-General for Economic and Financial Affairs at the European Commission, made clear that not enough has been done to withstand another major financial shock in the future. He urged that reforms should not be postponed till the next crisis looms. According to the Director General, Europe still lacks a common narrative, and consensus on past monetary and financial reforms was only possible, because we thought we were sinking. In line with President Juncker's State of the Union speech, he stressed that the global dimension is an additional rationale for progress at EU level to play a role in global governance that has lost its natural anchor. Interestingly, the Director-General stresses that there won't be further progress if we continue to frame the debate following the dichotomy risk-reduction and risk-sharing. Though, he confirmed that risk-sharing per se is a way to attain risk-reduction.

For **Michael Vincent**, expert on financial regulation, who teaches at Sorbonne University, the Meseberg Agreement was too little, too late. He supported the introduction of an European-wide insurance deposit scheme, which would show people that European cooperation works and that the EU has the capacity to protect its citizens. Only by focusing on the needs of ordinary citizens, can we counter euro scepticism.

Gesine Schwan, President of the HUMBOLDT-VIADRINA Governance Platform, commented on EMU reform from a different angle. She pointed towards trust as the central component to hold Europe together and raised the question whether we have a sufficient number of citizens and institutions across Europe that are willing to work together in the hopes of achieving a better life for everyone. She pointed out that the scarce willingness of some citizens to make substantial leaps in the direction of more solidarity is partly due to their disconnect with the decision making process. New systems of

participation and shared-responsibility, may give different results on solidarity. She also argued that the main challenge for social democrats is to find a solution to the migration question, which is instrumentalised by the nationalistic right to mobilise large parts of the population against a united Europe.

Food for thought:

Jürgen Habermas, Peter Bofinger and Julian Nida-Rümelin, [Only deeper European unification can save the Eurozone](#), The Guardian, August 2012

Peter Bofinger, [Euro area reform: No deal is better than a bad deal](#), voxeu.org, May 2018

European Commission, [Reflection paper on the deepening of the Economic and Monetary Union](#), May 2017

Marco Buti, Gabriele Giudice, José Leandro, [Deepening EMU requires a coherent and well-sequenced package](#), voxeu.org, April 2018

Manuel de la Rocha, David Rinaldi, Victor Echevarría, [Progressive Reforms for Rebalancing the Eurozone](#), FEPS Policy Brief, November 2017

Pier Carlo Padoan, [The EU's future and the sovereign option](#), The Progressive Post, June 2018

Alexander Schellinger, Philipp Steinberg (eds.), [The Future of the Eurozone – How to keep Europe together: a progressive perspective from Germany](#), Friedrich-Ebert-Stiftung, transcript Verlag, 2017

SPD Commission for fundamental values, [Response to President Macron](#), available on FEPS website in DE, FR, EN, June 2018

